

## Message Text

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E.O. 11652: N/A

TAGS: ECON, EFIN, NATO

SUBJECT: ECONADS: APPRECIATION OF ECONOMIC POSITION OF NATO AND WARSAW  
PACT

COUNTRIES FOR THE PERIOD THROUGH 1982

REF: USNATO 6466

1. ECONADS MEETING NOVEMBER 22 APPROVED NEW REVISED APPRECIATION FOR  
TRANSMITTAL TO DRC AND USE AS REFERENCE DOCUMENT FOR DECEMBER MINIS-  
TERIAL.

2. DURING FINAL REVIEW OF REPORT, ECONOMIC COMMITTEE AGREED TO  
FOLLOWING MINOR EDITING CHANGES WHICH IMPROVE TEXT OF INTRODUCTION AND  
SUMMARY APPRAISAL TRANSMITTED REFTEL.

(A) PARA 2 - DELTE PHRASE "PARTICULARLY FOR THE NATO MEMBER  
COUNTRIES"

(B) PARA 5 - REPLACE "EVEN SUPPOSING" WITH "ON THE ASSUMPTION" AND  
DELETE WORD "CAN" IN FIRST SENTENCE.

(C) PARA 7 - INSERT "IN REAL TERMS" AFTER SOVIET UNION IN FIRST  
SENTENCE.

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(D) PARA 8 - REDRAFT AS FOLLOWS TO MEET MORE NEARLY RESPON-  
SIBILITY OF ECONOMIC COMMITTEE TO PROVIDE INDICATION OF POSSIBLE  
TRENDS IN DEFENSE EXPENDITURES:

"WHILE, DUE TO THE ENHANCED ECONOMIC CAPABILITY OF THE SOVIET UNION, THE MILITARY POTENTIAL OF THE WARSAW PACT IS LIKELY TO INCREASE RELATIVELY RAPIDLY OVER THE PERIOD UNDER REVIEW, THE RESOURCES AVAILABLE TO DEFENCE IN MOST NATO COUNTRIES COULD INCREASE ONLY SLOWLY, EVEN ON THE FAVOURABLE ASSUMPTIONS MADE ABOVE. HOWEVER, THE NATO RESOURCE BASE WILL CONTINUE TO EXCEED CONSIDERABLY THAT OF THE WARSAW PACT. IN BOTH THE EASTERN AND WESTERN GROUP OF COUNTRIES THE IMPACT OF ECONOMIC DEVELOPMENTS WILL VARY CONSIDERABLY. FOR NATO MEMBER COUNTRIES IN PARTICULAR, CIRCUMSTANCES ARE LIKELY TO WEAKEN THEIR ECONOMIES TO A GREATER OR LESSER EXTENT AT LEAST IN THE NEXT FEW YEARS. NEVERTHELESS THE ECONOMIC CAPABILITY OF THE ALLIANCE, AS A WHOLE, WOULD REMAIN SUFFICIENT TO MEET THE FORCE GOALS AGREED IN MAY THIS YEAR WHICH WOULD IMPLY AN INCREASE IN DEFENCE EXPENDITURES OF POSSIBLY 3 TO 4 PCT ANNUALLY IN REAL TERMS. BUT FOR THE HARDEST HIT COUNTRIES IMPLEMENTATION OF SUCH A DEFENCE EFFORT MIGHT WELL BE DIFFICULT BECAUSE OF ECONOMIC AND POLITICAL PROBLEMS. THIS UNDERLINES THE NECESSITY OF OBTAINING THE MAXIMUM EFFECTIVE VALUE FROM THE RESOURCES THAT COUNTRIES ALLOCATE TO DEFENCE THROUGH RATIONALISATION AND COOPERATION IN ARMS PROCUREMENT ON A NATO-WIDE BASIS."

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